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IN THE

Supreme Court of the United States

OCTOBER TERM, 1958

No. 444

PETROLITE CORPORATION, LTD.,

Petitioner,

vs.

THE UNITED STATES,

Respondent.

REPLY TO RESPONDENT'S BRIEF IN OPPOSITION

to Petition for a Writ of Certiorari to the United States Court of Claims

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In its effort to support the opinion and decision of the Court below, respondent completely evades the gist of the two actions, emphasizing the unimportant and ignoring the essential.

The gist of both actions is respondent's requests for petitioner's processes and for its secret technical information and know-how, its assurance that it would pay reasonable compensation therefor, and petitioner's furnishing of such processes and disclosure of such information and know-how to respondent in reliance upon such assurance. Respondent consistently disregards these facts.

Third Protocol Case

Respondent briefly observes that there is "no conflict" with the Supreme Court decisions which are described as inapposite because of "express contractual

arrangements . . . and otherwise distinguishing factual circumstances . . ." (Resp. Br. 13). But respondent fails to sustain any of these asserted distinctions:

1. The Third Protocol contractual arrangements were identical in all respects with those of the contrary Supreme Court cases.

The only "existing contractual arrangements" in respect of the Third Protocol transaction were those which place the case squarely within the compass of the Supreme Court decisions (Pet. 8-9) which reached an opposite result, to-wit:

(a) Request by respondent for new dual-stage desalting process and accompanying dehydration process (Pet. App. 21-22, 23).

(b) Agreement by respondent that reasonable compensation would be paid for said processes and the necessary process information (App. 23-24).

(c) Furnishing of said processes and information *in reliance* upon said assurance and with the understanding that *respondent* (not the U.S.S.R.) would pay said reasonable compensation therefor (App. 13).

There was no written contract at all relating to the Third Protocol processes and information[1] and the case is factually identical with the contrary Supreme Court decisions discussed in the Petition (pp. 8-9).

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[1]Accenting the immaterial, respondent dwells at length upon petitioner's written proposal and upon respondent's purchase order No. 4H482, both of which related exclusively to Third Protocol *equipment* and to equipment design, drawings, etc. (Resp. Br. 5-7); as respondent admits (Resp. Br. 5-6), these documents *expressly did not* pertain to compensation for the processes, information and know-how which is the sole subject to the action (Pet. 10).

2. The asserted "distinguishing factual circumstances" are demonstrably immaterial.

The reality of this conflict of decisions is in no way qualified or even obscured by the factors listed by respondent:

(a) "no arrangements or agreements . . . were made to provide compensation" (Resp. Br. 12-13). The aforesaid agreement, assurance and understanding as to compensation are ignored but uncontroverted.

(b) "the evidence does not establish that the equipment or processes were ever furnished to Russia" (Resp. Br. 13):

(1) As to *equipment,* petitioner has shown, without challenge by respondent, that Russia received drawings, data and information sufficient to construct and duplicate all equipment, including a dual-stage plant of the Third Protocol type, *and* that Russia has actually produced and operated such a plant (Pet. 10).

(2) As to *processes,* respondent's statement is untrue; respondent stipulated and the Court found to the contrary, that all processes, and information and know-how, *were* furnished to respondent and by it to the U.S.S.R. (Pet. App. 26-27, 31).

(c) "petitioner never delivered in writing . . . operating instructions" respecting Third Protocal equipment (Resp. Br. 13). While written operating instructions were intended to be delivered as a matter of convenience to Russian technicians, the non-delivery of such instructions is of no significance whatever in view of the stipulation and repeated findings that the Russians received *all* of the Third Protocol technical and process information and know-how *regardless of non-delivery of written operating instruction* (Pet. 10). And the Russians actually did pro-

duce and operate such equipment (Pet. 10), *without* any written summary of instructions.

(d) "no use of the equipment by anyone has been shown" (Resp. Br. 13). Respondent inexplicably disregards *its own evidence* of actual Soviet operation of a Third Protocol dual-stage plant (Pet. 10). This fact was uncontroverted. Moreover, the action is for the reasonable value of processes furnished and information disclosed, not for any particular use of the same.

Respondent's argumentation, lifted from the Opinion, is wide of the mark. The essential Third Protocol facts, as found, are (a) offer and acceptance, (b) full performance and (c) failure to pay anything therefor. Denial of liability thus presents a conflict of decisions so sharply defined that it can be neither explained nor evaded.

3. Respondent's statement intermixes the facts of the Third Protocol transaction with those of the Second Protocol.

While petitioner separates its statement of the two transactions in the chronological order in which they occurred (Pet. 3-6), respondent so commingles the facts that the following propositions require clarification:

(a) The 18-months' license agreement pertains solely and exclusively to the Second Protocol transaction.

(b) The payments thereunder were in part payment for the processes and information furnished under the Second Protocol transaction. Such payments were unrelated to the Third Protocol processes and information.

(c) The further payment mentioned by respondent (Resp. Br. 12) was also a payment on account of Second Protocol compensation, unrelated to the Third Protocol obligation.

(d) There has been no payment whatsoever to petitioner for the Third Protocol processes and information.

(e) The repeated assertions concerning Government relief from liability upon termination of the written license agreement have no application to respondent's obligation for Third Protocol compensation.

Second Protocol Case

Also unmentioned and plainly avoided by respondent are the really significant Second Protocol *findings of fact* that

(1) respondent requested petitioner's processes and information,

(2) respondent assured petitioner of payment of reasonable compensation therefor, and

(3) petitioner furnished said processes and information with the understanding that respondent (not the U.S.S.R.) would make such payment (Pet. App. 12, 14-16).

Here is the same irreconcilable conflict of decisions presented by the Third Protocol case, and here again respondent endeavours to divert attention to irrelevant matters:

1. The argument that the U.S.S.R. alone is responsible for the compensation which respondent agreed to pay to petitioner.

Petitioner dealt and contracted only with the United States and not with the U.S.S.R. At no time did petitioner ever rely upon any chance responsibility of the Soviet Union:

(a) The Court found that "*defendant desired to procure*" petitioner's equipment, processes and information

(Pet. App. 13) *"for its own account"* and "for purposes deemed important in the interest of and vital to the *defense of the United States*" (Pet. App. 12), that "it was necessary that *defendant* immediately have" the processes and information (Pet. App. 15), and that the same were "furnished . . . *to defendant* for use by or for *the defendant* . . ." (Pet. App. 15).

(b) Respondent's telegram and letter (Resp. Br. 4, 9) comprised a futile effort by respondent to effect the unilateral substitution of an obligation of the U.S.S.R. in place of respondent's obligation to petitioner. Petitioner then and thereafter repeatedly rejected every such suggestion (Tr. 1600-1602, 1607; Pl. Exs. 91, 93, 94, introduced after trial).

(c) Both parties knew that the requested disclosure of information and process license would inevitably result in extended use by the U.S.S.R. (Pet. App. 14-16). It was for that reason that petitioner insisted upon an undertaking by respondent, the only party with which it dealt, to provide reasonable compensation for such disclosure and license (Pet. App. 14-15), and respondent agreed to provide such compensation (Pet. App. 15-16).

2. The argument that "part payment" in a contract between petitioner and respondent means "full payment" by respondent and further payment by the U.S.S.R.

Respondent attempts to rationalize the "part payment" provision of the 18-months' license agreement as referring to additional payment to be made by the U.S.S.R. which was not a party to the agreement (Resp. Br. 11). Had that been the intention, the parties would have said so, but *on the contrary*, they expressly reserved petitioner's rights to "other and additional compensation" and the

obligation "of *the Government*," i.e., the United States Government, therefor (Pet. App. 20). Thus the 18 months' agreement specifically did *not* exonerate respondent from liability for any unpaid portion of petitioner's reasonable compensation.[2]

3. The argument that termination of the license agreement, which was limited to specific equipment, terminated all liability for reasonable compensation under a prior agreement unrestricted to any specific equipment.

The bulk of respondent's argument is that termination of the 18-months' license agreement of May 28, 1943 terminated respondent's liability under its assurances of and agreement to pay reasonable compensation for the processes furnished and the information and know-how disclosed by petitioner. In taking this position, respondent falls into fundamental error on three counts:

(a) Respondent disregards the agreement and assurances of October, 1942 that respondent would pay to petitioner compensation reasonable in relation to unrestricted use of the processes and to irrevocable disclosure of the previously secret information[3] (Pet. 12-13), liability for which compensation is established by the conflicting Supreme Court decisions.

(b) In representing that the 18-months' written license agreement of May, 1943 was the *only* agreement of the parties, respondent ignores the fact that said agreement,

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[2]Respondent also refers to possible Soviet liability under the Mutual Aid Agreement and the Lend-Lease Act (Resp. Br. 11), the only applicable provisions of which are *expressly limited to patent rights and do not extend to unpatented and secret information, know-how and processes.*

[3]Of a value beyond their application to the limited amount of equipment for the limited period of time specified in the subsequent 18-months' license agreement.

which provided for a "part payment" of compensation, was no more than a partial implementation of the earlier agreement and in only partial satisfaction of the reasonable compensation to which said pre-existing agreement related (Pet. 12-13).

(c) In referring to the language of Section FOURTH (Resp. Br. 10) concerning relief to the Government from further obligation for the "payments specified in Sections SECOND and THIRD", respondent astonishingly fails to note that such payments were for the license which was granted by Section FIRST (Pet. App. 19), and that such license was for use of the processes *in "said units"* (R. 20) which are in turn described as specific equipment of a designated capacity (R. 17). Thus the license was expressly limited and partial in character, being no more than a *plant license*, authorizing and providing compensation for use of the processes and information in three specific items of equipment. It follows that respondent *grossly misstates* the facts when it says that the agreement was "intended as a complete expression . . . of the Government's obligation to compensate petitioner for the use of Petrolite processes by the Soviet Union" (Resp. Br. 10), since the agreement was expressly restricted and limited to *certain specified equipment* and the instrument itself expressly disclaimed any greater scope or effect (Pet. 13).

4. Other diversionary matter introduced by respondent.

Throughout its brief, respondent's tactic is to elaborate upon inconsequential details, with possibly misleading results:

(a) In discussing the facts, respondent's emphasis is entirely upon equipment and the parties' proposals and

purchase orders relating to equipment and equipment design, drawings, etc., all of which are irrelevant in an action relating solely to compensation for processes, information and know-how which were expressly excluded from the equipment proposals and purchase orders (Resp. Br. 2, 6).

(b) Respondent refers to the Second Protocol purchase order provision including, in the purchase price of equipment, the cost of preparing written operating instructions (Resp. Br. 3). Such operating instructions were furnished as a matter of convenience to the Russians and constituted an "expression in summarized written form of disclosures" otherwise made to the Russians during the course of the project (Tr. Vol. VIII, 1511; Commr. Rept. 9), and the matter of compensation for such disclosures was not within the scope of the proposals and purchase orders (Resp. Br. 2, 6).

Conclusion

Respondent's remarkably complete failure to meet the issues presented by the petition affirms the propriety of review of these cases.

The striking conflict of decisions cannot be reconciled, the importance of the matter cannot be impugned and the error of the decision below cannot be obscured. It is accordingly prayed that the petition be granted.

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